
Grappling with Growth

What to Do When You Want a Strong Economy
and a Great Place to Live

Growth? Development? What Are We Arguing About?

Across the continent, thousands of communities are torn by controversy. Whether it's spiteful letters to the editor, vicious public hearings, or screaming matches at the post office, we seem to have lost our capacity to work through our problems. One man explodes at an old friend: "What are you trying to do? All this no-growth talk is gonna kill my business! We've gotta have growth or it's doomed."

Redfaced, his friend retorts: "Yeah, but what about this community? The traffic, the noise, the crime—this was a great place before it was paved over! We've gotta take action now or *it's* doomed."

Just reading these words may knot your stomach with recent memories. In the heat of controversy, it's easy to forget that, without the business people who are willing to take risks, the local economy and our jobs wouldn't exist. But remember too that sincere and committed residents seek to preserve the non-monetary aspects of a community that make it worth living in.

One powerful reason for the heat in these arguments is that we use the word, "growth," to talk about two very different concepts. We can help cool the arguments and focus on solutions by understanding this difference and saying what we mean. For example "development" can be used to describe the things that make a community *better*: living wage jobs increased income and

commerce, more savings and excellent quality of life. That's what the first friend wants more of.

The second concept might be called "expansion," the things that make a community bigger (e.g. more people, infrastructure, buildings, subdivisions, malls, etc.). Expansion is what the second friend wants to slow down.

If the two friends could cool off, they would probably agree that expansion doesn't always improve the community. In fact, depending on particular details, some expansion options will make the community and its environment worse enough that it will be bad for many businesses.

However, that conclusion doesn't help the first friend's business. Here's where the difference between development and expansion gets exciting: What neither friend realizes is that there are many development options that require little or no expansion. They create more business, jobs, income, and saving without damaging quality of life. In fact, many of these options have positive effects on both the community and its environment. But before exploring these ideas—what is called "Natural Capitalism"—let's review what communities have been doing about expansion.

Smart Growth: An Incomplete Strategy

In the last few years, national attention has focused on the efforts of many communities who have been wrestling with expansion problems for decades. These communities have implemented ways to:

Design expansion correctly by mixing land-uses, clustering development, infilling not sprawling, and by using traditional community design, multiple transportation modes and natural infrastructure (e.g. for drainage and sewage).

Ensure that expansion pays its way: Tax revenues collected from subdivisions in previously undeveloped areas are virtually never sufficient to pay for the public services demanded by those subdivisions. As a result, taxpayers in rapidly expanding communities unknowingly subsidize sprawl unless impact or user fees are charged to those newly developing areas. Local governments that don't know the full cost of expansion are rolling the fiscal dice.

Restrict expansion through such means as tough zoning, urban growth boundaries, subdivision allotment systems (that control growth rate), community land trusts, and electing people who can actually say "No" to growth proposals that are incompatible with the community.

Build affordable housing through private, public, and nonprofit means and by requiring it as a large portion of every development proposal.

Each of these four categories is an important part of any community's response to expansion. Each has a rich history, including plenty of controversy, and each has been the subject of many

books. The second friend probably advocates all four.

However, as we learned from the argument between the two friends, these smart-growth actions have to be energetically implemented or the "smart" growth program is just more growth. Also, we learned that smart growth may harm the first friend's business.

Though often justified by intense expansion pressures, smart growth measures are almost all government actions that do little to help local businesses. As a result, people such as the first friend begin to see smart growth as an enemy. The lesson: Smart growth is incomplete: it often fails to achieve its own objectives. And it is imbalanced without reciprocal development activity. And that's where Natural Capitalism comes in.

Fostering Natural Capitalism

Natural Capitalism offers a unique way to bring a community together. It's attractive to business people because it offers ways to strengthen competitiveness, while enhancing livability and reducing environmental impacts. Innovative businesses can lead communities in adopting these principles and setting examples.

Natural Capitalism is a powerful strategy for economic development. Outlined on the next page, the principles of Natural Capitalism are a route to increased living-wage jobs, income, commerce, savings, and community well being without necessarily requiring community expansion. Because this kind of development proceeds independent of increases in the size of a community, it's attractive to both booming and declining communities.

Listed under each principle are several representative community activities or programs. Many are well known, others innovative. They distribute benefits widely across the community. Most require little or no community expansion. While not all apply to every community, the length of this list indicates that there is an untapped wealth-generation potential in virtually every community.

Which of these activities or programs will make sense in your community? Many of these kinds of decisions are made behind the scenes. In contrast, Natural Capitalism is most effective when people from all walks of life choose their community's future collaboratively and base their choice on practicality and compatibility with the community and its environment.

A. Invest in Resource Productivity

A local economy might be compared to a bucket that the community would like to keep full. Business recruitment and community expansion are attempts to pour more money into the bucket. While these strategies may have succeeded in the past, today they often fail or generate more costs to the community than benefits.

But focusing entirely on more ways to fill the bucket ignores vast opportunities. Economic buckets invariably have holes in them through which dollars leak every time local resources are used inefficiently. Smart communities seek profitable ways to keep the bucket full by plugging unnecessary leaks in one of more of the following thirteen ways. The best ways to plug leaks are to increase the productivity with which local resources are used and to support local businesses.

This strategy is good news for communities that have little hope for

expansion. It's equally encouraging in places where expansion is creating problems. Instead of relying on the hope of continuous expansion, that is also imposing large costs, rapidly expanding communities now have many alternatives.

(For more business examples, see Rocky Mountain Institute's new book *Natural Capitalism* or its website www.naturalcapitalism.org.)

1. Energy efficiency programs create local jobs and will save millions of dollars in any community. Sacramento CA, invested \$59 million to save electricity. This enabled utility customers to save nearly that same amount. The program created 880 direct jobs, and increased regional income by \$124 million. Though energy is a small portion of total costs, saving energy will provide a significant contribution to profits and economic progress.
2. Affordable business increases the wealth-creating power of each local transaction. Land trusts, co-ops, and employee stock ownership can ensure permanent local ownership of many businesses by buying local buildings and renting only to residents (at cost). Example: The Green Bay Packers are owned by a corporation whose majority stockholders are from Wisconsin.
3. Import substitution replaces "imports" with local products and services. Simple example: Locally bottled water in Tropic, Utah, replaced imports and established a new business.
4. Vendor matching links local-business buyers with local suppliers. An early program in Eugene, Oregon created 100 jobs

- in its first year without any physical expansion of the city.
5. Water efficiency: The grassroots Mothers of East Los Angeles marketed a low-flush-toilet retrofit program that installed 270,000 toilets in three years, returned \$4 million to the neighborhoods in jobs, water-bill savings, and community programs, and saves over 3.4 billion gallons of water every year.
 6. Downtown revitalization reduces economic leakage, builds pride, encourages infill, preserves culture, celebrates history, reuses resources, and reduces traffic.
 7. Community supported agriculture: CSAs are local farms that increase productivity, reduce costs, and sell specialty crops direct to consumers and restaurants.
 8. Business mentoring: Veteran business people “adopt” start-up businesses—giving rookie proprietors someone to talk with when things go wrong, helping them understand and avoid pitfalls. Such programs significantly reduce the high failure rate of start-ups.
 9. Community cash flow can be captured through such community enterprise as locally based credit cards, debit cards and phone service. South Orange, New Jersey’s municipal credit card funds downtown revitalization.
 10. Local currency: Ithaca, New York’s currency is accepted by 1,200 business and can’t be spent out of town.
 11. Microcredit: Many low-income or impoverished people have the skills, but lack the credit to start a business. Tailored to very small, often home-based, start-up businesses, micro-loans are too

small for conventional banks. Usually offered by nonprofit organizations in conjunction with basic business training, microcredit often provides a way out of poverty and off of welfare.

12. Business “visitation” programs enlist local leaders to visit businesses to determine needs and concerns. Proprietors get the chance to offer suggestions to local governments and organizations regarding changes that could benefit local business.

B. Shift to Biologically Inspired Economic Models (Biomimicry)

In the economic climate of the 21st Century, competitiveness requires lean business practices that, like biological systems, reduce and eventually eliminate waste. To be competitive, communities must pursue development strategies that analyze local material, energy, and waste streams; identify business opportunities; and match those opportunities with local businesses. Multiple benefits include more businesses and jobs, reduced resource inputs (and, therefore, lower costs), prolonged life of the local landfill, and reduced pollution. The transition to bio-entrepreneurship has begun:

13. Waste-matching is one way of developing industrial ecology at the regional level. Computer networks can make virtual industrial ecosystems by matching waste with potential buyers; examples under development include numerous state programs such as New Hampshire and Michigan.
14. Building salvage—Rather than demolish a building, dismantle and reuse its components. Southern California Gas saved \$3.2 million

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<https://archive.org/details/grapplingwithgro00rock>

or 30% of construction costs on an office and education building by partly dismantling and reusing an existing building. The finished building was 80% made of recycled materials, keeping 350 tons of material out of the landfill.

15. Remanufacturing creates businesses and jobs and reduces resource inputs. This new “industry” is now larger than the steel industry.
16. Advanced business retention and expansion programs mimic biological systems by enhancing adaptation, competition, inter-relationships, and information flow. Littleton, Colorado’s program created jobs at six times the rate of its earlier recruitment efforts by offering such services as problem research, competitor analysis, industry trend monitoring, video conferencing, training, and market mapping. Such local policies enhance quality of life and intellectual infrastructure.
17. Flexible business networks: Several small businesses partner on contracts too big for any one of them, not unlike coyotes who usually hunt on their own, but run in packs when seeking larger game.
18. Storm-water capture saves money, recharges groundwater, and reduces pollution by helping rain soak in the ground where it falls rather than collecting it into expensive centralized systems, which, in some areas, overwhelms sanitary sewage systems resulting in significant pollution. (Example: Permeable parking lot material.)

C. Join the Solutions Economy

According to the Wall St. Journal, creative manufacturers are shifting from product sales to service leasing. Communities must not mistake this for what has been called the service economy with such low-wage jobs as burger flipping and room cleaning. In sharp contrast, companies who are part of the solutions economy provide what customers truly want: quality, utility, and continuous performance instead of just more goods. For example, most offices buy copying services, not copiers. Instead of selling elevators, Schindler leases vertical transportation services.

This fundamental change in the relationship between producer and consumer boosts competitiveness by more directly addressing customer needs. It also reduces materials input and pollution output, enables the provider to make more money, and the customer to save money. Waste is reduced, and fewer raw resources are required.

19. Leasing light: Burlington, Vermont’s Electric Utility has leased 50,000 energy efficient light bulbs to its customers, saving them \$72,000 annually.

Though the solutions economy is well underway, vast markets remain unexplored. Exciting opportunities remain available to smart communities that understand this new economy and assist appropriate local businesses in shifting from product sales to service leasing. These communities will offer incentives and research support and they’ll identify and overcome public and private sector barriers that keep local businesses from making the shift to selling solutions instead of products.

D. Reinvest in Natural Capital

Everyone knows that living systems provide us with *products*—such essential natural resources as oil, water, trees, fish, soil, and air. Living systems also provide us with equally essential *services*. These ecosystem services include:

- Cooling (shade trees)
- Flood control (root systems)
- Purification of water and air (wetlands)
- Storage and recycling of nutrients (roots)
- Sequestration and detoxification of human and industrial waste (wetlands and ground filtration)
- Pest and disease control (by insects, birds, bats, and other organisms)
- Production of grasslands, fertilizers, and food
- Storage and cycling of fresh water
- Formation of topsoil and maintenance of soil fertility

These services are essential to doing business (and maintaining human life). Worldwide, however, these services are declining. Many of them have no known substitutes at any price. The future's strongest competitors will be businesses and communities that recognize these facts and invest accordingly:

20. Restore natural ecosystems: In Port Angeles, Washington, an estuary restoration project is saving the local lumber mill \$150,000 yearly through more efficient logistics. It created space for expanding the mill and improved the town's tourism.
21. Create urban ecosystems: Supported by these systems, birds, bats, and frogs eat pesky insects. Also, property values increase, for example near San Francisco's Golden Gate Park, by \$500 million

to \$1 billion, which generates an additional \$5-\$10 million in property taxes.

22. Foster Eco-tourism to create local jobs while protecting important environmental values.
23. Maintain wetlands for waste treatment, storm-water retention, and wildlife habitat. Arcata CA restored 154 acres of wetlands and used it to treat City wastewater. The resulting marsh is now a wildlife habitat in which salmon are reared. The cost was a fraction of the costs for a conventional energy-intensive wastewater treatment system. One researcher estimated the economic benefits generated by single acre of wetland: at \$150,000 to \$200,000.
24. Maintain watersheds for flood control and drinking water.
25. Protect and enhance vegetative cover.
26. Protect ground water from chemical contamination.
27. Restore aquatic habitat.
28. Reduce carbon dioxide emissions: Through energy and water efficiency in city operations, Regina, Saskatchewan reduced its CO2 emissions by 10% while saving \$393,000.

Note: The list of ecosystem services above does not include such services as noise abatement and peaceful sanctuary because some may regard them as non-essential. Neither does it include such services as climate stabilization, protection against harmful cosmic radiation, distribution of fresh water, and regulation of the chemical composition of the atmosphere because some may argue that the depletion of these services is caused by factors too

distant for community action. An increasing number of businesses, however, are implementing policies to make themselves "climate neutral." Because doing so will save them money and enhance shareholder value. Collectively, such efforts by businesses are the best way to tackle such large problems and increase competitiveness.

Business Believes in Natural Capitalism

Don't be surprised if Natural Capitalism sounds unfamiliar. The book describing it came out only last fall, so you're hearing it ahead of most people. But already its ideas are being adopted by business. Here's what corporate leaders are saying:

"Your book is hugely important and ought to be on the nightstand of every CEO."

— Thomas Petzinger Jr, Millennium Edition Editor the Wall Street Journal

"As the industrial arm of modern society's larger body struggles to come to terms with the mounting evidence of the damage it is inflicting on the body itself and the body's home, Earth, Natural Capitalism provides some crucially important guidance. Looking for available philosophical starting point? Here it is. Looking for hard evidence to validate that philosophy? Here it is. Looking for peace of mind? Start here."

— Ray C. Anderson, Chairman and CEO, Interface, Inc.

"Three of the world's best brains have... created a work that future historians may look back upon as a milestone on our way to a new, sustainable economy. In this book you will find a wealth of constructive, forward-looking ideas and suggestions, based on solid scientific research."

— Tachi Kiuchi, Managing Director of Mitsubishi Electric Corporation, Chairman of the Future 500

"This book is a 'must read' for those leaders in government and business who do not believe that sustainability is necessary or practical. It shows both the need and the way to all those who are not yet ready to do what we must do to leave a livable world to our grandchildren."

— Murray Duffin, Vice-president Total Quality and Environmental Management, STMicroelectronics

Building Community Capacity

How can a community implement Natural Capitalism? How does it start on the road to a more sustainable development strategy?

Leaders can help their communities take charge of the future and be a part of the new economy. Alternatively, they can try to keep decisions to themselves, publicly attack people who discuss innovative ideas and, in so doing, allow their communities to be tossed by the winds of rapid change. Those who choose the first option develop:

- Community Entrepreneurship:
To implement many community projects, employ the business skills and tools of co-operatives. community development corporations, land trusts, community stock corporations, development authorities, special purpose districts, and micro-credit.
- Leadership and civic capacity:
Through training, events, and organizations, every community should commit local resources to helping existing leaders understand new ideas and new ways of making decisions. Also, it must nurture and train the next generation of leaders.
- Collaborative decision making:
Develop working relationships among public, private, and nonprofit sectors. Thoroughly involve people from all walks of life in shaping important decisions, not just commenting on decisions as they're about to be made.
- Alternative indicators of success:
Rather than relying exclusively on such traditional economic measures as sales revenues and property values, develop community and environmental indicators in order to understand fully the effects of decisions and the direction in which the community is headed. If we don't measure such important community characteristics as noise, air quality, or newborn birth-weight, they won't be fully considered in local decisions.
- Knowledgeable management:
For creative advice and support, communities experiencing rapid change, hire planning and management staff who have experience with those changes. Resisting change by "doing things the way we've always done 'em" dooms a community to being changed at the whim of outside forces.

Growth Myths and Realities

Why is there so much momentum behind community expansion and sprawl, heedless of negative effects? There are many answers, but chief among them is the myths we hold and even cherish. They're powerful for at least three reasons: Each contains a nugget of truth, each is embedded in our history, and they are the basis on which a few people make a lot of money. The following are eight local growth myths; each followed by an alternative point of view:

1. Growth is good

But the word "growth" has two sets of meanings: "Expansion" (bigger) means more people, infrastructure, buildings, subdivisions, malls, etc., and increased "throughput," which may or may not benefit the community. "Development" (better) means living wage jobs, increased income, more savings and excellent quality of life.

2. Growth increases the tax base

But rapid expansion and sprawl increase public-service costs more than they deliver in increased revenues. This forces local taxpayers to subsidize most residential, even some commercial, expansion.

3. Growth increases business income

But rents and competition increase too, often faster.

4. Growth creates better jobs

But the cost of living often increases more rapidly than income.

5. Controlling growth hurts the economy

Some segments may be hurt; others will be helped. In contrast, development can proceed without expansion. Expansion, however, cannot continue indefinitely.

6. Government shouldn't meddle in land use

It already meddles when it subsidizes expansion by charging all taxpayers for the costs of public services that benefit only areas where expansion takes place. Government has the responsibility to protect its constituents from serious, long-term negative effects that are not accounted for in the marketplace.

7. If we control growth, we'll be sued

It's a statement often driven by developers' scare tactics. But communities that take a strong stance to control growth are not always sued, and nearly always win when they are.

8. Controlling growth drives up housing prices

But rapid expansion is inherently inflationary, driving up prices. Rapidly expanding communities with similar economic bases (e.g. Vail and Aspen CO, Marin and Contra Costa CA) experience comparable lack of affordability despite the fact that one has significant growth controls while its counterpart has not. Unlimited expansion doesn't solve the housing problem.

9. Impact fees make housing unaffordable

Local governments that don't charge cost-of-growth fees are subsidizing developers in the hope that they will pass saving on to buyers. In practice, developers charge market values, regardless of fees. If subsidies are warranted, they're more effective when paid directly to buyers.

Published Resources:

Natural Capitalism, Creating the Next Industrial Revolution

by Paul Hawken and Amory Lovins and Hunter Lovins.

The new book describes innovative principles and practices for increasing *competitiveness* in ways that reduce waste and increase productivity. A summary article that appeared in the June Harvard Business Review can be found at www.naturalcapitalism.org. 396 pages. \$26.95

Green Development: Integrating Ecology and Real Estate

by Wilson, Uncapher, McManigal, Lovins, Cureton, and Browning

Describes an exciting new field where environmental considerations are viewed as *opportunities* to create fundamentally better buildings and communities. 522 pages. \$61.00

Economic Renewal Guide: A Collaborative Process for Sustainable Community Development.

by Michael Kinsley

This field-tested manual describes how a few energetic people can help steer their community toward development that's sensitive to local values and the environment. 225 pages \$17.95

Pathways: Building a Local Initiative for Compatible Economic Development

by Nature Conservancy, Center for Compatible Economic Development, Leesburg VA

Communities by Choice: An Introduction to Sustainable Community Development

by Mountain Association for Community Economic Development, Berea KY, \$1.00

Going Local: Creating Self-Reliant Communities in a Global Age

by Michael Shuman

Details how dozens of communities are gaining control over their economies by investing in locally, replacing imports, and by working to eliminate many subsidies and changing tax and trade laws that disempower communities. 270 pages. \$25.00 Free Press

Profiles of Business Leadership on Smart Growth: New Partnerships Demonstrate the Economic Benefits of Reducing Sprawl

by National Association of Local Government Environmental Professionals nalgep@spiegelmc.com

Web Resources:

Rocky Mountain Institute

www.rmi.org.

Communities by Choice

www.communities-by-choice.org

Center for Compatible Economic Development

www.cced.org

American Planning Association

www.planning.org

Center for Excellence in Sustainable Development

www.sustainable.doe.gov

Center for Livable Communities

www.lgc.org/clc

Growth Management Institute

www.gmionline.org

Littleton, Colorado's Business Retention Program

<http://www.littleton.org/LCN/governme/CommSvcs/GOcomdev.htm>

Natural Step

www.naturalstep.org

Port Angeles, Washington

www.portofpa.com/citizenship

Remanufacturing Industries Council

www.remanufacturing.org

Renew America

www.solstice.crest.org/environment/renew_america

Sonoran Institute

www.sonoran.org

Sprawl Watch Clearinghouse

www.sprawlwatch.org

Young Presidents Organization

<http://ypo.org>

Zero Emissions Research Initiative

www.zeri.org

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